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SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549
FORM 10-Q

X Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarter ended March 29, 1992

OR

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____

Commission file number 0-8777

COLOR TILE, INC.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	75-1606185 I.R.S. employer identification no.
515 Houston Street, Fort Worth, Texas (Address of principal executive office)	76102 (Zip Code)

(817)870-9400
Registrant's telephone number, including area code

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES X NO _

The number of shares outstanding of the registrant's common stock, $.01 par value, as of May 1, 1992 was 101.

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Exhibit Index is on Page 11

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COLOR TILE, INC.
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COLOR TILE, INC.
CONDENSED CONSOLIDATED BALANCE SHEET
(Amounts in Thousands except Share Amounts)
(unaudited)

ASSETS

	March 29, 1992	December 29, 1991
Current assets:		
Cash and cash equivalents	$ 2,721	$ 73
Accounts and notes receivable, less allowance for doubtful	8,870	7,939
Inventories	78,734	75,507
Other current assets	5,593	5,480
Total current assets	95,918	88,999
Property, plant and equipment	175,995	173,662
Less accumulated depreciation	(35,345)	(31,428)
Net property, plant and equipment	140,650	142,234
Deferred financing costs	17,880	18,296
Goodwill, net	180,772	181,836
Other intangible assets, net	60,090	61,790
Deferred income tax	8,431	8,431
Other assets	2,907	3,398
Total assets	$506,648	$504,984

LIABILITIES AND COMMON STOCKHOLDER'S EQUITY

	March 29, 1992	December 29, 1991
Current liabilities:		
Current portion of long-term debt	$ 15,260	$ 15,260
Accounts payable and accrued expenses	73,589	66,460
Layaways and deposits	6,152	5,873
Total current liabilities	95,001	87,593
Noncurrent liabilities:		
Long-term debt	284,703	290,475
Other noncurrent liabilities	22,403	22,419
Total noncurrent liabilities	307,106	312,894
Commitments and contingencies (Note 2)		
Redeemable senior preferred stock,	27,301	26,556
Common stockholder's equity:		
Common stock, $.01 par value, 1,000,000 shares authorized, 101 shares issued and outstanding		
Additional paid-in capital	123,001	123,746
Accumulated deficit	(45,761)	(45,805)
Total common stockholder's equity	77,240	77,941
Total liabilities and common stockholder's equity	$506,648	$504,984

The accompanying notes are an integral part of the condensed consolidated financial statements.

COLOR TILE, INC.
Condensed Consolidated Statements of Operations
(Amounts in Thousands)
(unaudited)

	March 29, 1992	March 31, 1991
Net sales	$143,962	$137,410
Costs and expenses:		
Cost of sales	76,761	73,407
Selling, general and administrative	59,106	59,524
Total costs and expenses	135,867	132,931
Operating profit	8,095	4,479
Interest expense, net	7,928	12,904
Income (loss) before income taxes	167	(8,425)
Provision for income taxes	123	101
Net income (loss)	$ 44	$(8,526)

The accompanying notes are an integral part of the condensed consolidated financial statements.

COLOR TILE, INC.
Condensed Consolidated Statement
of Common Stockholder's Equity
(Amounts in Thousands except Share Amounts)
(unaudited)

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Total Common Stockholder's Equity
Balance at December 29, 1991	101		$ 123,746	$(45,805)	$ 77,941
Preferred stock dividends, undeclared			(725)		(725)
Accretion of difference between redemption value and proceeds of senior preferred stock			(20)		(20)
Net income	—	—	—	44	44
Balance at March 29, 1992	101	—	$123,001	$(45,761)	$ 77,240

The accompanying notes are an integral part of the condensed consolidated financial statements.

COLOR TILE, INC.
Condensed Consolidated Statements of Cash Flows
(Amounts in Thousands)
(unaudited)

	Three Months Ended	
	March 29, 1992	March 31, 1991
Cash flows from operating activities:		
Net income (loss)	$ 44	$(8,526)
Adjustments to reconcile net income (loss) to cash provided by operating activities:		
Depreciation	4,291	4,197
Amortization of deferred financing costs	398	680
Amortization of goodwill and other intangible assets	2,816	3,172
Changes in other assets and liabilities	3,139	18,082
Total adjustments	10,644	26,131
Cash provided by operating activities	10,688	17,605
Cash flows from investing activities:		
Purchases of property, plant and equipment	(3,098)	(3,327)
Other	829	(220)
Cash used in investing activities	(2,269)	(3,547)
Cash flows from financing activities:		
Net Payments on borrowings and capital leases	(5,771)	(9,947)
Borrowings to repurchase debt	6,036	
Repurchases of debt	(6,036)	____
Cash used in financing activities	(5,771)	(9,947)
Increase in cash and cash equivalents	$ 2,648	$ 4,111

The accompanying notes are an integral part of the condensed consolidated financial statements.

COLOR TILE, INC.
Condensed Consolidated Statements
of Cash Flows, continued
(Amounts in Thousands)
(unaudited)

	Three Months Ended	
	March 29, 1992	March 31, 1991
Analysis of changes in other working capital accounts:		
Decrease (increase) in:		
Accounts and notes receivable, net	$(931)	$(170)
Inventories	(3,227)	8,906
Other current assets	(113)	(1,195)
Total decrease (increase) in current assets	(4,271)	7,541
Increase in:		
Accounts payable	4,088	2,736
Layaways and deposits	279	
Accrued Taxes and Expenses	3,043	7,805
Total increase in current liabilities	7,410	10,541
Total increase in other assets and liabilities	$ 3,139	$ 18,082
Supplemental disclosure of cash flow information:		
Cash paid during the year for:		
Interest	$ 4,850	$ 1,792

The accompanying notes are an integral part of the condensed consolidated financial statements.

COLOR TILE, INC.
Notes to Condensed
Consolidated Financial Statements

NOTE 1 - Basis of presentation:

Color Tile, Inc. ("Color Tile" or the "Company") is a wholly owned subsidiary of Color Tile Holdings, Inc. Reference is made to the summary of significant accounting policies in the Company's Annual Report on Form 10-K for the fiscal year ended December 29, 1991, filed with the Securities and Exchange Commission. These financial statements and the related notes should be read in connection with such Form 10K.

In the opinion of the Company, the accompanying unaudited condensed consolidated financial statements reflect all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position of the Company as of March 29, 1992 and March 31, 1991 and its results of operations and cash flows for the three months then ended. Information included in the condensed consolidated balance sheet as of December 29, 1991 has been derived from the Company's audited financial statements in its Annual Report on Form 10-K and certain reclassifications have been made to conform to the basis of presentation at March 29, 1992.

The results of operations for the three months ended March 29, 1992 may not be indicative of the results of operations for the full fiscal year ending January 3, 1993.

NOTE 2 - Commitments and Contingent Liabilities:

There are various claims and pending actions incident to the business operations of the Company. In the opinion of management, the Company's potential liability in all pending actions and claims, in the aggregate, is not material.

Item 2. COLOR TILE, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

Sales. Net sales for the three months ended March 29, 1992 increased $6,552,000 or 4.8% to $142,962,000 compared to $137,410,000 in the prior year. The increase in sales is attributable to the continued growth of the Company's carpet product line and related installation revenues, and to a lesser extent, to increased sales in the ceramic and resilient categories, as well as higher franchise revenues. Sales for Company stores opened more than one year increased 3.5% over the comparable prior year period. The Company opened two new Company stores, closed one Company store and converted two existing Company stores to franchise stores during the quarter, bringing the number of Company stores to 770 at March 29, 1992 versus 775 Company stores at March 31, 1991. The Company granted franchises for five stores, including the conversion of two existing Company stores, during the quarter bringing to 15 the number of franchise locations. As of March 29, 1992, the Company has entered into agreements to franchise 15 additional store locations.

Gross Margin. Gross margins increased $3,198,000 or 46.7% of sales during the three months ended March 29, 1992 as compared to 46.6% for the prior year. Improved gross margins were due primarily to increased sales in higher margin ceramic and resilient product lines and to improved margins on sales of carpet and related installation services.

Operating Expenses. Selling, general and administrative expenses, excluding depreciation and amortization, decreased to 36.8% of sales for the current quarter compared to 38.3% of sales for the comparable 1991 period. This reduction, as a percent of sales, results primarily from the continuing control of operating and administrative costs throughout all levels of the Company.

Interest Expense. Net interest expense decreased $4,976,000 to $7,928,000 for the three months ended March 29, 1992 as compared to the prior year. The reduction in interest expense is due to the redemption of the 17% Junior Subordinated Debt with the proceeds of additional common stock issued late in 1991 and to the refinancing of a significant portion of the Company's 12-3/8% senior notes, 13% senior subordinated notes and 13-3/4% subordinated debentures.

Interest expense for the three months ended March 29, 1992 of $7,928,000 is comprised of $7,597,000 paid or to be paid in cash and $398,000 of amortized deferred financing cost, net of $67,000 interest income.

Pre-tax Income (Loss). Income before income taxes of $167,000 compares to a pre-tax loss in the prior year of $8,425,000. This improvement over the prior year resulted from increased operating profit, and a significant decrease in interest expense.

The Company had income tax expense of $123,000 for the current quarter as compared to $101,000 for the prior year. Income tax expense for the period is composed primarily of state income taxes.

Liquidity and Capital Resources

Capital expenditures for the three months ended March 29, 1992 were $3,098,000 as compared to $3,327,000 in the prior year. Capital expenditures were incurred for the retrofit and repair of existing stores, upgrading of retail store systems, and for the development of additional new store locations. The Company has continued to expand its program to franchise some Color Tile stores to third party franchisees which will require no additional capital expenditures by the Company.

Working capital at March 29, 1992 was $917,000 as compared to $1,406,000 at December 29, 1991. Increased inventory levels were more than offset by an increase in accounts payable due to increased purchases of special order merchandise and more favorable terms on in-stock merchandise.

On April 15, 1992, the Company completed the redemption of its remaining 13% Senior Subordinated Notes in the aggregate principal amount of $17,306,000 and 13-3/4% Subordinated Debentures in the aggregate principal amount of $26,950,000.

On May 7, 1992, the Board of Directors of the Company approved the sale of the Company's hardwood flooring manufacturing plant pursuant to an Asset Purchase Agreement (the "Purchase Agreement") dated as of the 22nd day of April, 1992. The sale contemplated by the Purchase Agreement will close on or about May 15, 1992 and the proceeds will be utilized to retire existing debt of the Company.

Management believes the Company has, and will continue to have, sufficient cash flow from operations and from available borrowings under its Credit Agreements to meet its liquidity and capital resource requirements for the balance of 1992.

PART II. OTHER INFORMATION

Item 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) Exhibits

2(a) Agreement of Merger, dated as of October 16, 1989, among Color Tile Holdings, Inc., CT Acquisition, Corp., Color Tile, Inc., Knoll International holdings, Inc. and NEAC, INC. (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended October 1, 1989 and incorporated herein by reference)

2(b) Amendment to Agreement of Merger, dated as of December 17, 1989, among Color Tile Holdings, Inc., CT Acquisition Corp., Color Tile, Inc., Knoll International Holdings, Inc. and NEAC, INC. (filed as Exhibit 2(b) to the December 28, 1989 Form 8-K and incorporated herein by reference)

(b) Reports on Form 8-K

None

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

COLOR TILE, INC.
(Registrant)

May 11, 1992
Date

Daniel J. Gilmartin, Vice President
Treasurer and Chief Financial Officer